(c) *Debt limitations.*—There are three methods of imposing limitations upon the power of States and local governmental units to incur general obligation indebtedness: constitutional, statutory, and home rule charters. As a footnote to this chapter there is appended a table of constitutional debt limits contained in the constitutions of all 50 States. The limitations therein referred to have, in almost all instances, been in effect for generations, and have been found difficult, if not impossible, to change, although in many instances, bonds of States have been authorized for specific purposes and for stated amounts by constitutional amendments adopted by the people at elections held for that purpose. Notable examples are State issues for veterans' bonuses, although many of these are not general obligations but are payable from dedicated excise taxes such as cigarette tax, beer tax, soft drink tax, etc. There is a definite reluctance on the part of State and local government officials to tamper with or enlarge longstanding constitutional limitations upon the creation of general obligation indebtedness. This is not the case, however, with statutory limitations upon local subdivisions which have been increased from time to time, as such limitations are merely authorization to local agencies to create debt up to the new limitations, and the burden of the actual increase in indebtedness is the responsibility of the local officials and electorate. Limitations in home rule charters are more difficult to change, but such limitations seem to be of little effect, as most such charters require a vote to issue any bonds, and it would seem that as long as a vote is required, no limitation is necessary, as the limitation could be raised or exceeded by the vote of the same electorate.

The traditional constitutional debt limit is expressed as a percentage of the assessed valuation of the taxable property within the boundaries of the issuer, and is so expressed in the subjoined table. Originally this method of limiting the creation of indebtedness was adopted as practically all of the revenues of the States and their subdivisions was derived from ad valorem taxes. This is not the case today with the advent of a wide variety of taxes such as the income tax, sales tax, gasoline tax, cigarette tax, beer and liquor taxes, and many other excise and occupational taxes. It can be argued with considerable force that debt limitations based upon ad valorem taxes are no longer the true measure of ability to pay. As a matter of fact, the Commonwealth of Puerto Rico and the State of Delaware have abandoned the traditional percentage of assessed value limitation and have adopted a limitation based upon a ratio of debt service to gross revenues experienced in prior years. This method has received general acceptance by investors, although many feel that there is danger in possible recessions over an extended period, and that the only true measure of security is the value of the real property behind the debt. Many investors require information with respect to the ratio of true value to assessed value, the latter being almost universally lower than true value. However, due to the necessity for additional revenues, the gap between the two valuations has been narrowing to a limited extent, which permits the issuance of additional bonds within debt limits based upon a percentage of assessed valuation. The debt limitations have not seriously impeded general obligation borrowing except in a very few instances where the per-